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No. 90-124

Supreme Court, U.S.  
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In The  
**Supreme Court of the United States**

October Term, 1990

**DUNHAM'S INC., KINNEY SHOE CORPORATION  
and HYDE ATHLETIC INDUSTRIES, INC.,**

vs.

*Petitioners,*

**MICHAEL J. BADALAMENTI,**

*Respondent.*

**BRIEF IN OPPOSITION  
TO A PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

**- AND APPENDICES -**

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## QUESTIONS PRESENTED

The questions presented by Petitioners are not prompted by either the holdings of the district court or the Court of Appeals for the Federal Circuit in this case.

Petitioners' issues rely upon a mischaracterization of the seminal facts of this case to raise a conflict among the circuits in a legal standard which, if considered and resolved by this Court, would not change the outcome of this case.



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**BRIEF IN OPPOSITION  
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Respondent, Michael J. Badalamenti, respectfully requests that this Court deny Petitioners' Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit.

**COUNTER-STATEMENT OF THE CASE**

Respondent disagrees with Petitioners' Statement of the Case insofar as Petitioners have misrepresented the holdings of both the district court and the Federal Circuit, as well as the critical facts underlying those holdings.

The district court awarded sanctions against Respondent and his counsel for not producing documents responsive to Petitioners' April 15, 1985 requests. Respondent timely filed a written response to the document request. In Respondent's written response, he objected to producing documents containing confidential



information. Petitioners' counsel was earlier advised of Respondent's objection to production of documents containing confidential information at Respondent's May 5, 1985 deposition.

The case was dismissed after the district court entered summary judgment in late 1985.

The summary judgment was reversed in late 1986, and pretrial discovery resumed in early 1987. At the close of discovery in May, 1978, Petitioners brought a motion under Rule 37(b) for sanctions against Respondent and Respondent's counsel and dismissal of Respondent's claims. The district court noted that Rule 37(b) was inapplicable because there was no court order compelling Respondent to respond to the document requests.

The district court sua sponte raised Rule 37(d), finding "a party's failure to disclose or produce materials sought in a proper discovery request, without seeking a protective order, violates the Federal Rules of Civil Procedure." (B-3.) Sanctions were imposed against Respondent and his counsel for failing to meet the quoted standard.

The Federal Circuit reversed the district court's award of sanctions, holding, "The district court erred as a matter of law in holding that Badalamenti violated the Federal Rules of Civil Procedure by failing to disclose or produce the documents without seeking a protective order." (A-7.)

The Federal Circuit applied the pertinent federal rules to the facts of this case, stating:

The plain terms of the rules of civil procedure show that a party served with a document request has four options:

- (1) respond to the document request by agreeing to produce documents as requested (Fed. R.Civ.P. 34(b));
- (2) respond to the document request by objecting (Fed.R.Civ.P. 34(b));
- (3) move for a protective order (Fed.R.Civ.P. 26(c) and 37(d)); or
- (4) ignore the request.

If the party chooses the last option, he is subject to sanctions under Rule 37(d). However, if the party responds to the document request, even if he responds by objecting, Rule 37(d) sanctions are not available.

[1] In this case, it cannot be disputed that Badalamenti served a response to Hyde's document requests in which he (1) objected to producing confidential information in the absence of a protective order and (2) agreed to produce the requested documents subject to the objection. Badalamenti served a response as required by Rule 34. Thus, Rule 37(d) does not authorize an award of sanctions in this case.

The district court erred as a matter of law in holding that Badalamenti violated the Federal Rules of Civil Procedure by failing to disclose or produce the documents without seeking a protective order. In that ruling, the district court exceeded its discretion.

(A-6-A-7; citation omitted.)

## ARGUMENT

There are no questions presented by this case which merit review by this Court.

In fabricating its "Questions Presented," Petitioners mischaracterize the facts and the holdings of the lower courts in this case, and raise a perceived conflict among the circuits which, however resolved, would not affect the outcome of this case.

### I.

#### THE FEDERAL CIRCUIT PROPERLY APPLIED RULES 34 AND 37 TO THE FACTS OF THIS CASE.

Petitioners describe Respondent's Rule 34 response as "evasive and misleading" and "false and misleading." (Petition, Questions Presented, p. 5.) Neither court used the quoted language. Indeed, the Federal Circuit noted:

Hyde argues on appeal that Badalamenti's response was misleading as to the very existence of the documents and that Hyde had no reason to move to compel production because it had no reason to know that Badalamenti was withholding information. However, Hyde knew that Badalamenti objected to producing confidential information. In addition, Hyde knew that Badalamenti was instructed not to answer deposition questions concerning "current contacts" but that he was willing to enter into a stipulated protective order. If Hyde wanted clarification of the objection or production of documents, it could have moved to compel under Rule 37(a) or stipulated to the protective order suggested by Badalamenti. Once Badalamenti complied with Rule 34 and made his initial response, the

burden shifted to Hyde to move to compel if it deemed the responses inadequate.

(A-9.)

It is Petitioners who mislead this Court by mischaracterizing Respondent's behavior in an attempt to align this case with dicta from *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 232 (E.D. Michigan 1978), *appeal dismissed*, 601 F.2d 587 (6th Cir.), *cert. denied*, 442 U.S. 918 (1979).

## II.

### THE FEDERAL CIRCUIT'S HOLDING IN THIS CASE IS NOT INCONSISTENT WITH THE LAW OF THE SIXTH CIRCUIT.

The Federal Circuit noted that the law of the Sixth Circuit controlled its decision on the discovery issue of this case, citing *Panduit Corp. v. All States Plastic Manufacturing Co., Inc.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984). The Federal Circuit then explained that its holding in this case would not be affected by the Sixth Circuit's adoption of a broad construction of Rule 37(d), stating:

In this case, we need not decide whether the Sixth Circuit would adopt the broad construction of Rule 37(d). Even if the rule set forth in *Bell* is the law in the Sixth Circuit, it does not apply in this case. Badalamenti's response was not so evasive and misleading as to constitute a failure to respond. Badalamenti informed Hyde he was objecting to producing confidential documents except under a protective order. He also informed Hyde he would produce documents subject to the objection. Unlike *Bell*, there has been no clear misrepresentation that requested

documents did not exist. Also, in all of the cases adopting the broad construction of Rule 37(d), the sanctioned party withheld information from discovery with no justification. In this case, Badalamenti objected on the basis of confidentiality.

(A-9.)

### III.

#### PETITIONERS' PROFFERED "CONFLICT AMONG THE FEDERAL CIRCUITS" HAS NO BEARING UPON THE HOLDING IN THIS CASE.

Petitioners suggest that there is a conflict among the circuits as to what constitutes failure to respond under Fed.R.Civ.P. 37(d). Petitioners, misstating the Sixth Circuit's subsequent holding in *Jackson v. Nissan Motor Corp.*, No. 88-6132 (6th Cir., October 30, 1989) (Lexis Gen. Fed. Library, Court's File), suggest that *Jackson* created a standard different from the existing Rule 37(d) standards of other circuits. Petitioners' *Jackson* arguments were presented to the Federal Circuit by a Petition by Defendants/Cross-Appellants for Rehearing and Suggestion for Rehearing In Banc. The Federal Circuit declined to reconsider or rehear the case.

*Jackson* neither timely responded nor objected nor produced critical evidence which was requested for inspection, and subsequently destroyed. This failure to respond or object was the basis for the Sixth Circuit's ruling in *Jackson*. Unlike *Jackson*, Respondent timely objected to Petitioners' request and adequately apprised Petitioners' counsel of the nature of his objection.

Assuming arguendo that there is a conflict among the circuits, this Court's resolution of that conflict,

even assuming adoption of the broad standard urged by Petitioners, would not affect the outcome of this case.

### CONCLUSION

The questions presented by Petitioners have no relation to the facts or law in this case. Nothing in this case warrants review by this Court. This Court should, therefore, deny the Petition For Certiorari.

Respectfully submitted,

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Dated: August 17, 1990



APPENDICES TO BRIEF IN OPPOSITION



APPENDIX A

DECISION

(United States Court of Appeals — Federal Circuit)

(Decided February 23, 1990)

(MICHAEL J. BADALAMENTI, Plaintiff-Appellant, v. DUNHAM'S, INC., KINNEY SHOE CORPORATION, and HYDE ATHLETIC INDUSTRIES, INC., Defendants/Cross-Appellants — Nos. 89-1460, -1528)

BEFORE: ARCHER, Circuit Judge,  
BENNETT, Senior Circuit Judge,  
and RE, Chief Judge.\*

BENNETT, Senior Circuit Judge.

These consolidated appeals are from the May 8, 1989 order of the District Court for the Eastern District of Michigan, Southern Division, awarding the defendants (collectively "Hyde") \$100,000 as sanctions against the plaintiff (Badalamenti) and his attorney, Ernie L. Brooks (Brooks), for a discovery violation. In the same order, the district court also denied Hyde's motion for attorney fees pursuant to the exceptional case statute, 35 U.S.C. § 285 (1982). Badalamenti has appealed the award of sanctions, and Hyde has appealed the denial of its motion for attorney fees. We reverse the award of sanctions, vacate the denial of the motion for attorney fees, and remand.

---

\* Edward D. Re, Chief Judge of the United States Court of International Trade, sitting by designation.



## BACKGROUND

## A.

## THE PROCEDURAL HISTORY

Badalamenti sued Hyde for infringement of Badalamenti's U.S. Patent No. 4,335,529, for a traction device for shoes. The district court granted summary judgment for the defendants in February 1986, holding that there was no literal infringement and that the doctrine of prosecution history estoppel prevented a finding of infringement under the doctrine of equivalents. *Badalamenti v. Dunham's, Inc.*, 230 USPQ 74 (E.D. Mich. 1986). This court vacated and remanded in an unpublished opinion. *Badalamenti v. Dunham's, Inc.*, 809 F.2d 789 (Fed. Cir. 1986) (Table, No. 86-1024).

In conducting discovery after the remand, Hyde determined that Badalamenti had withheld certain documents during previous discovery. Hyde moved under Fed. R. Civ. P. 37(d) for sanctions, including dismissal with prejudice and attorney fees and costs. In a Memorandum Opinion of December 17, 1987, the district court held that a discovery violation had occurred and that sanctions should be imposed. *Badalamenti v. Dunham's, Inc.*, 118 F.R.D. 437, 6 USPQ2d 1633 (E.D. Mich. 1987). The court denied the motion to dismiss and took the amount of monetary sanctions under consideration.

Subsequently, a jury trial on the merits took place. Hyde moved for a directed verdict on the issue of patent validity. The district court granted the motion, holding that the patent was invalid for obviousness under 35 U.S.C. § 103. *Badalamenti v. Dunham's, Inc.*, 680 F. Supp. 256, 6 USPQ2d 1626 (E.D. Mich. 1988). The court relied in part on certain prior art documents included in the material Badalamenti had withheld from earlier discovery. This court affirmed the obviousness determi-

nation in an opinion designated as unpublished. *Badalamenti v. Dunham's, Inc.*, 862 F.2d 322, 12 USPQ2d 1222 (Fed. Cir. 1988) (No. 88-1356), *cert. denied*, 109 S. Ct. 1955 (1989).

On May 8, 1989, the district court entered the appealed order, sanctioning Badalamenti and Brooks jointly and severally in the amount of \$100,000. *Badalamenti v. Dunham's, Inc.*, 125 F.R.D. 445, 12 USPQ2d 1223 (E.D. Mich. 1989).

B.

THE ALLEGED DISCOVERY VIOLATION

Soon after the lawsuit was filed, Hyde served a notice of deposition, which included a request under Fed. R. Civ. P. 30(b)(5) for the production of documents in a number of categories. Among the categories were documents directed to communications between Badalamenti and third parties relating to infringement charges by the plaintiff, replies to such charges, and offers to license the '529 patent. Badalamenti timely filed a response to the document requests. His response included a general objection, in which he objected to the production of documents containing confidential information. The objection further stated that Badalamenti would only produce confidential information pursuant to a protective order limiting the disclosure of such information to that necessary to Hyde in its defense of the action. Badalamenti's response to the document requests went on to state that responsive documents would be produced, subject to the general objections. He subsequently produced documents responsive to the requests, withholding certain documents he deemed confidential.

At the time the documents were produced, Badalamenti had twice written Nike, Inc., accusing it of infringing the '529 patent and offering a nonexclusive

patent license. Nike later wrote back calling attention to three prior art documents that Nike asserted invalidated the Badalamenti patent. Badalamenti then terminated discussions with Nike. The district court found that the Nike-related documents clearly fell within the categories of documents requested by Hyde.

Badalamenti did not produce the Nike documents when they were requested. In addition, at the deposition, Brooks instructed Badalamenti not to answer questions relating to "current contacts" with third parties in the absence of a protective order.

Later, Hyde independently discovered from Nike the existence of the correspondence between Badalamenti and Nike. Badalamenti then produced the documents, some two years after they were requested. In support of the motion for sanctions under Fed. R. Civ. P. 37(d), Hyde argued that if Badalamenti had produced the documents when requested, Hyde would have learned of the Nike prior art much earlier and would have moved for summary judgment of invalidity when it moved for summary judgment of noninfringement. According to Hyde, the district court would have held the patent invalid, as it later did, and Hyde would have avoided the expenses of a trial on the merits.

The district court granted Hyde's motion. 118 F.R.D. 437, 6 USPQ2d 1633. The court found that Badalamenti's failure to produce the requested documents without seeking a protective order violated the Federal Rules of Civil Procedure. The court stated that Hyde did not have the burden of seeking to compel the production of the documents because Badalamenti had failed to object to the discovery request. According to the court, Badalamenti did not notify Hyde that any documents sought were being withheld. The court characterized the

plaintiff's argument that he had served a written response as "semantic." The court stated that while some cases hold that Rule 37(d) applies only where there is a "total failure to respond," the majority view is that 37(d) sanctions should be imposed on a party whose evasive and incomplete responses impede discovery. The district court subsequently found that a \$100,000 sanction reflected a just portion of the defendants' reasonable expenses caused by Badalamenti's discovery violation. 125 F.R.D. at 448, 12 USPQ2d at 1226.

### OPINION

#### I.

A district court has broad discretion in issuing sanctions for violations of the discovery rules. *National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 639, 643 (1976). The decision is reviewable only to determine whether the court abused its discretion. *Western Elec. Co. v. Piezo Technology, Inc.*, 860 F.2d 428, 430, 8 USPQ2d 1853, 1855 (Fed. Cir. 1988). An abuse of discretion may be found when (1) the court's decision is clearly unreasonable, arbitrary or fanciful; (2) the decision is based on an erroneous conclusion of the law; (3) the district court's findings are clearly erroneous; or (4) the record contains no evidence upon which the district court rationally could have based its decision. *Id.*

This case presents a procedural issue not unique to patent law. Therefore, the law of the regional circuit out of which the case is brought controls, which in this case is the Sixth Circuit. *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574-75, 223 USPQ 465, 471 (Fed. Cir. 1984). When the regional circuit court has spoken on a legal issue, we must apply the law as stated; if the regional circuit court has not spoken, we must pre-

dict how that court would decide the issue in light of such criteria as the decisions of that circuit's district courts, other circuits' decisions, and public policy. *Id.* at 1575, 223 USPQ at 472.

A party served with a document request under Rule 30(b)(5) or Rule 34 is required to respond. "The response shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objection shall be stated." Fed. R. Civ. P. 34(b).

Rule 37 authorizes a court to award sanctions for discovery abuses. Rule 37(b) provides for sanctions where a party fails to comply with a discovery order. The district court in this case acknowledged that sanctions under this subdivision were unavailable because there was no discovery order that was violated. 118 F.R.D. at 439, 6 USPQ2d at 1634. Sanctions are also available under Rule 37(d) if a party fails to respond to discovery. The conduct addressed by Rule 37(d) pertinent to this case is the failure of a party "*to serve a written response to a request for inspection submitted under Rule 34, after proper service of the request.*" Fed. R. Civ. P. 37(d) (emphasis added). Rule 37(d) further provides, "The failure to act described in this subdivision may not be excused on the ground that the discovery sought is objectionable unless the party failing to act has applied for a protective order as provided by Rule 26(c)."

The plain terms of the rules of civil procedure show that a party served with a document request has four options:

- (1) respond to the document request by agreeing to produce documents as requested (Fed. R. Civ. P. 34(b));

- (2) respond to the document request by objecting (Fed. R. Civ. P. 34(b));
- (3) move for a protective order (Fed. R. Civ. P. 26(c) and 37(d)); or
- (4) ignore the request.

If the party chooses the last option, he is subject to sanctions under Rule 37(d). However, if the party responds to the document request, even if he responds by objecting, Rule 37(d) sanctions are not available.

In this case, it cannot be disputed that Badalamenti served a response to Hyde's document requests in which he (1) objected to producing confidential information in the absence of a protective order and (2) agreed to produce the requested documents subject to the objection. Badalamenti served a response as required by Rule 34. Thus, Rule 37(d) does not authorize an award of sanctions in this case.

The district court erred as a matter of law in holding that Badalamenti violated the Federal Rules of Civil Procedure by failing to disclose or produce the documents without seeking a protective order. *See* 118 F.R.D. at 439, 6 USPQ2d at 1634; *see also* 125 F.R.D. at 446, 12 USPQ2d at 1224. In that ruling, the district court exceeded its discretion. The provision of Rule 37(d) relating to the failure to seek a protective order is applicable only where a party fails to act as described in the subdivision; that is, where the party fails to serve a response.

The district court justified its award of sanctions by relying on "the majority view" of Rule 37(d) that sanctions may be imposed where evasive or incomplete responses impede discovery. 118 F.R.D. at 439, 6 USPQ2d at 1635. Several courts hold that Rule 37(d) does not



authorize an award of sanctions unless there is a total failure to respond to the discovery requests. See *Fox v. Studebaker-Worthington, Inc.*, 516 F.2d 989, 995 (8th Cir. 1975); *Fjelstad v. American Honda Motor Co.*, 762 F.2d 1334, 1339-40 (9th Cir. 1985); *Southard v. Pennsylvania R.R.*, 24 F.R.D. 456 (E.D. Pa. 1959). Other courts award sanctions under Rule 37(d) where the evasive or misleading response is tantamount to no response at all. See *Airtex Corp. v. Shelley Radiant Ceiling Co.*, 536 F.2d 145, 155 (7th Cir. 1976); *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 232 (E.D. Mich. 1978), *appeal dismissed*, 601 F.2d 587 (6th Cir.), *cert. denied*, 442 U.S. 918 (1979); *Fautek v. Montgomery Ward & Co.*, 96 F.R.D. 141 (N.D. Ill. 1982). See also *Minnesota Mining & Mfg. Co. v. Eco Chem, Inc.*, 757 F.2d 1256, 1260, 225 USPQ 350, 352-53 (Fed. Cir. 1985) (rejecting the argument that interrogatory answers stating "unable to respond" was a response by which the party could avoid the sanction provisions of Rule 37(d)).

The Sixth Circuit has not spoken on this issue. The leading case out of the Sixth Circuit is *Bell*, 80 F.R.D. 228 (E.D. Mich. 1978). In *Bell*, the plaintiff served an interrogatory requesting identification of documents concerning racial data on the defendants' work force. The defendants represented that the only source of race information would be to telephone or visit employees listed on thousands of cardex cards. In fact, the defendants had compiled a "book of blacks" which contained the information sought by the plaintiffs. The court found that the defendants' responses were clear misrepresentations. *Id.* at 231. The court held that it had authority to sanction the plaintiffs under Rule 37(d) because the interrogatory answers the defendants gave were so misleading and evasive as to constitute a failure to answer. *Id.* at 232.

In this case, we need not decide whether the Sixth Circuit would adopt the broad construction of Rule 37(d). Even if the rule set forth in *Bell* is the law in the Sixth Circuit, it does not apply in this case. Badalamenti's response was not so evasive and misleading as to constitute a failure to respond. Badalamenti informed Hyde he was objecting to producing confidential documents except under a protective order. He also informed Hyde he would produce documents subject to the objection. Unlike *Bell*, there has been no clear misrepresentation that requested documents did not exist. Also, in all of the cases adopting the broad construction of Rule 37(d), the sanctioned party withheld information from discovery with no justification. In this case, Badalamenti objected on the basis of confidentiality.

Hyde argues on appeal that Badalamenti's response was misleading as to the very existence of the documents and that Hyde had no reason to move to compel production because it had no reason to know that Badalamenti was withholding information. However, Hyde knew that Badalamenti objected to producing confidential information. In addition, Hyde knew that Badalamenti was instructed not to answer deposition questions concerning "current contacts" but that he was willing to enter into a stipulated protective order. If Hyde wanted clarification of the objection or production of documents, it could have moved to compel under Rule 37(a) or stipulated to the protective order suggested by Badalamenti. Once Badalamenti complied with Rule 34 and made his initial response, the burden shifted to Hyde to move to compel if it deemed the responses inadequate. See 4A J. Moore & J. Lucas Moore's *Federal Practice* ¶ 37.05 at 37-119 to 37-121 (1989).

Hyde also argues on appeal that Badalamenti improperly characterized his Nike contacts as confidential. In



support of this argument, Hyde refers to a letter agreement that Nike apparently requires all of its solicitors to sign, which provides that disclosure of any idea to Nike is not made in confidence or on the basis of a confidential relationship. Hyde also cites correspondence between Badalamenti and New Balance in which Badalamenti stated that he was "speaking with Nike." The district court did not consider the merits of Badalamenti's confidentiality objection when it sanctioned him. See *Fjelstad*, 762 F.2d at 1339-40. Indeed, the district court inexplicably stated that Badalamenti "failed to object to defendants' discovery request." 118 F.R.D. at 439, 6 USPQ2d at 1635. In any event the evidence Hyde cites does not demonstrate that the communications between Badalamenti and other shoe companies were not confidential to other parties (such as Hyde), even if there was no "confidential relationship" that could give rise to liability if a company appropriated Badalamenti's ideas.

Finally, Hyde argues that the district court has the inherent authority to sanction Badalamenti for discovery violations, even if there is no authority under Rule 37(d). However, as discussed above, Badalamenti's response complied with the discovery rules. In addition, he did not clearly misrepresent the existence of the documents withheld. In this case, where there has been no discovery violation or abuse, the district court went beyond its inherent authority in sanctioning Badalamenti for his conduct. See *Fjelstad*, 762 F.2d at 1338.

The district court abused its discretion in ruling that Badalamenti had violated the discovery rules. As a matter of law, Badalamenti's response to the document requests complied with the rules, and the district court had no authority to sanction Badalamenti or his attorney, Brooks. Therefore, we reverse the award of sanctions.

## II.

Hyde's cross-appeal is from the district court's denial of its motion for attorney fees under 35 U.S.C. § 285. Section 285 provides that the court may award reasonable attorney fees to the prevailing party in exceptional cases. Hyde has argued that Badalamenti's misconduct throughout the proceeding demonstrated that the case was exceptional and that an award of attorney fees was warranted. Badalamenti in turn argued that it committed no misconduct and that the district court did not err in finding that the case was not exceptional and in not awarding attorney fees.

The district court did not make any findings on the exceptional case issue and did not explain the basis for its denial of Hyde's request for attorney fees. Therefore, we are unable to review the decision of the district court on this issue. We vacate that portion of the judgment denying an award of attorney fees and remand for findings on the exceptional case issue as well as subsidiary findings reflecting the court's reasons underlying its exercise of discretion in awarding or denying attorney fees in light of its findings. A remand in this case is unfortunate; however, neither party apparently gave the district court the opportunity to expand or clarify its decision respecting attorney fees. See *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572, 7 USPQ2d 1606, 1610 (Fed. Cir. 1988). The finding of "exceptional case" is one of fact, and must be made in the first instance by the district court. *Id.* at 1573, 7 USPQ2d at 1611. See also *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201, 228 USPQ 367, 369 (Fed. Cir. 1986).

Our decision should in no way be construed as suggesting that the case should be found exceptional. The purpose of section 285 "is to provide discretion where it

would be *grossly unjust* that the winner be left to bear the burden of his own counsel which prevailing litigants normally bear." *J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 1052, 3 USPQ2d 1235, 1239 (Fed. Cir. 1987) (emphasis in original). Hyde has the burden of proving by clear and convincing evidence that this is an exceptional case. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582, 226 USPQ 821, 824 (Fed. Cir. 1985). As we have repeated "[t]here must be some finding of unfairness, bad faith, or inequitable conduct on the part of the unsuccessful patentee." *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 713, 218 USPQ 969, 976 (Fed. Cir. 1983); *Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 1085, 5 USPQ2d 1600, 1603 (Fed. Cir. 1988). The primary basis for Hyde's request for attorney fees was the alleged discovery abuse. As we have held above, there was no discovery violation, and so this aspect of the exceptional case issue is no longer in question.

In addition, even if the case is found to be exceptional, the district court in its discretion may decline to award attorney fees. As we stated in *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1215, 2 USPQ2d 2015, 2020 (Fed. Cir. 1987), "[a]fter the district court determines that a case is exceptional, there remains in every case its freedom to exercise its discretion 'informed by the court's familiarity with the matter in litigation and the interest of justice.'" [Quoting *S.C. Johnson*, 781 F.2d at 201, 228 USPQ at 369.] See also *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989).

#### COSTS

Hyde shall bear the costs of both appeals.

REVERSED-IN-PART, VACATED-IN-PART, AND  
REMANDED

APPENDIX B

MEMORANDUM OPINION

(United States District Court —  
Eastern District of Michigan —  
Southern Division)

(Filed: December 17, 1987)

(MICHAEL J. BADALAMENTI, Plaintiff, v. DUNHAM'S, INC., KINNEY SHOE CORPORATION, and HYDE ATHLETIC INDUSTRIES, INC., Defendants — Civil Action No. 85-71040; Hon. John Feikens)

Plaintiff brought this action against defendants for infringement of his patent, a device for shoes designed to aid traction for quick turns or cuts during outdoor athletic activity.

On February 4, 1986, I entered a Memorandum Opinion granting defendants' motion for summary judgment. I held that there was no literal infringement and that the doctrine of file wrapper estoppel prevented a finding of infringement based on the doctrine of equivalents. *Badalamenti v. Dunham's, Inc.*, No. 85-71040, mem. op. at 3-6 (E.D. Mich. Feb. 4, 1986).

The United States Court of Appeals for the Federal Circuit reversed, based on my application of file wrapper estoppel, and remanded for determination of "fact questions which must be resolved in order to construe the claims and to determine whether prosecution history estoppel is applicable." *Badalamenti v. Dunham's, Inc.*, Nos. 86-1024 and 86-1064, slip op. at 5-6 (Fed. Cir. Dec. 18, 1986).

In conducting discovery after remand, defendants discovered that plaintiff had negotiated with Nike (a manufacturer of athletic shoes) regarding possible prior art by Nike. Plaintiff disclosed documents relating to the "Nike talks" in May, 1987 — after defendants learned of the talks from Nike officials. Defendants claim that plaintiff should have produced the documents in response to a request for production of documents filed two years earlier. Defendants filed a Rule 37 motion for dismissal with prejudice and for attorney fees and costs.

After an evidentiary hearing, I granted defendants' motion as to costs and attorney fees but denied it as to dismissal. Before me now is defendants' Petition for an Award of Attorney Fees and Costs of \$154,527.23.

From March through August, 1985, plaintiff's current counsel communicated with Nike. Initially, plaintiff's counsel charged that some of Nike's shoes infringed plaintiff's patent and offered to license Nike. Nike responded that its shoes had been on the market more than a year before plaintiff obtained his patent and that such shoes (as well as other prior art) invalidated plaintiff's patent. After receiving Nike's response, plaintiff's counsel terminated discussions with Nike.

On April 15, 1985, defendants noticed plaintiff's deposition for May 10, 1985. In the body of the notice is a request "to produce for inspection and copying, immediately prior to said deposition, . . . the documents and things identified in Schedule A hereto." Within Schedule A are the following two relevant requests:

Request #10: All communications between plaintiff and other persons, and all other documents and things, relating to infringement, charges of infringement made by plaintiff, and replies to charges of infringement by said other persons, with regard to U.S. Patent 4,335,529.

\* \* \*

Request #17: All communications between plaintiff and other persons, and all other documents and things, relating to any offer to license U.S. Patent 4,335,529.

On May 21, 1985, plaintiff filed a response in which he promised to search for and produce "all relevant, non-privileged documents." However, plaintiff did not disclose that he had had discussions with Nike, nor did he produce the documents bearing on the Nike talks, until May 15, 1987. Plaintiff never moved for a protective order regarding the Nike documents.

Plaintiff's counsel argues that he had no obligation to file for a protective order and that he complied fully with the Federal Rules of Civil Procedure regarding discovery.

I find that a party's failure to disclose or produce material sought in a proper discovery request, without seeking a protective order, violates the Federal Rules of Civil Procedure.

Defendants bring their motion under Fed. R. Civ. P. 37(b). That rule is inapplicable here because it engages only where a party "fails to obey an order to provide or permit discovery . . . ." Here, there was no court order compelling plaintiff to answer Requests 10 and 17. I have inherent authority, and responsibility, however, to impose sanctions whenever necessary to enforce adherence to the Federal Rules of Civil Procedure. *Cf. Herbert v. Lando*, 441 U.S. 153, 157 (1979); *United States v. American Telephone & Telegraph Co.*, 86 F.R.D. 603, 656 (D.D.C. 1980).

The applicable Federal Rules of Civil Procedure are Rules 34(b) and 37(d). Rule 34(b) states:



The response [to a request for production of documents] shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objection shall be stated. If objection is made to part of an item or category, the part shall be specified.

Plaintiff relies on language in Rule 34(b) that allows "the party submitting the request" to move the court, pursuant to Rule 37(a), for an order compelling discovery "with respect to any objection to or other failure to respond to the request . . . ." Plaintiff argues this language places on the party seeking discovery the burden of obtaining a court order to secure documents arguably within its discovery request.

Plaintiff forgets that he failed to object to defendants' discovery request. Defendants never inherited the burden of obtaining a court order to compel discovery because plaintiff did not properly notify defendants that any documents sought were being withheld.

Rule 37(d) provides for the imposition of "such orders . . . as are just" to punish "a party [who] fails . . . to serve a written response to a request for inspection submitted under Rule 34, after proper service of the request . . . ." Alternatively, or in addition, "the court shall require the party failing to act or the attorney advising that party or both to pay the reasonable expenses, including attorney's fees, caused by the failure . . . ." Fed. R. Civ. P. 37(d).

Plaintiff's claim that he served "a written response" to defendants' request pursuant to Rule 37(d) is semantic. While there are some cases holding that Rule 37(d) applies only to "total failure to respond," e.g., *Fox v. Studebaker-Worthington, Inc.*, 516 F.2d 989, 995 (8th

Cir. 1975), the majority view is that Rule 37(d) sanctions should be imposed on a party whose evasive or incomplete answers to proper interrogatories impede discovery. *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 232 (1978) (Joiner, J.), *Airtex Corp. v. Shelley Radiant Ceiling Co.*, 536 F.2d 145, 155 (7th Cir. 1975).

Plaintiff argues he was not obligated to disclose the Nike discussions because they are privileged. Plaintiff cannot now be heard to assert privilege when he failed to do so in response to the original request for production. The plain language of the last paragraph of Rule 37(d), added by the 1970 amendment, commands this conclusion:

The failure to act described in this subdivision may not be excused on the ground that the discovery sought is objectionable unless the party failing to act has applied for a protective order . . . .

A contrary rule would frustrate the purposes of discovery. A party could effectively avoid discovery by furnishing all "non-privileged" material while withholding, and failing to disclose the existence of, material which he subjectively deems "privileged."

Here, plaintiff's and plaintiff's counsel's behavior was inexcusable: they must have realized that the Nike documents fit clearly within the category of material described in defendants' request; they failed to produce, or even disclose the existence of, the Nike documents; and they made no objection, timely assertion of privilege, or motion for a protective order. Such behavior is intolerable because it defies the Federal Rules of Civil Procedure and threatens the effectiveness of our discovery rules.



Defendants argue that had plaintiff disclosed and produced the Nike documents in 1985, the whole course of this litigation would have changed. Defendants suggest they would have deposed the Nike officials and made a meritorious motion for summary judgment, or that the United States Court of Appeals for the Federal Circuit would have had all the necessary facts before it to dispose of the matter without remanding it here. They move for all costs and attorney fees incurred between May 20, 1985 and May 15, 1987.

For the foregoing reasons I am of the opinion that costs and attorney fee sanctions against plaintiff and plaintiff's counsel, pursuant to Rule 37(d), should be imposed.

Defendants' effort to secure all costs and attorney fees incurred following plaintiff's failure to disclose the Nike talks is premature. For defendants to recover the entire award they seek, a jury must first determine that the Nike art was prior to plaintiff's patent and that it invalidated plaintiff's patent.<sup>1</sup> Without such a jury finding, defendants cannot prove that disclosure and/or production would have changed the course of this litigation.

Accordingly, Defendants' Petition for an Award of Attorney Fees and Costs is TAKEN UNDER ADVISEMENT until after the jury verdict in this cause.

/s/ John Feikens

United States District Judge

Dated: December 17, 1987

*(Certification Omitted)*

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<sup>1</sup> I will pose a special jury question to this effect.

APPENDIX C

MEMORANDUM OPINION AND ORDER

(United States District Court —  
Eastern District of Michigan —  
Southern Division)

(Dated: May 8, 1989)

(MICHAEL J. BADALAMENTI, Plaintiff, v. DUNHAM'S, INC., KINNEY SHOE CORPORATION, and HYDE ATHLETIC INDUSTRIES, INC., Defendants — Civil Action No. 85-71040; Hon. John Feikens)

Plaintiff initiated this patent infringement case on March 7, 1985, alleging defendants had violated his patent for a "traction device for shoes." U.S. Patent No. 4,335,529, issued June 22, 1982. I granted summary judgment for the defendants on February 4, 1986. I held that there was no literal infringement and that the doctrine of file wrapper estoppel prevented a finding of infringement based on the doctrine of equivalents. *Badalamenti v. Dunham's, Inc.*, No. 85-71040, mem. op. at 3-6 (E.D. Mich. Feb. 4, 1986). The United States Court of Appeals for the Federal Circuit reversed and remanded for the determination of certain facts. *Badalamenti v. Dunham's, Inc.*, Nos. 86-1024 and 86-1064.

I.

DISCOVERY VIOLATION

While conducting discovery after remand, defendants found that plaintiff had omitted information defendants had requested in discovery before summary judgment. I

held an evidentiary hearing on defendants' resulting motion for dismissal with prejudice, and for attorney's fees and costs. In my Memorandum Opinion of December 17, 1987, I held that under Rule 37(d) of the Federal Rules of Civil Procedure, sanctions should be imposed against plaintiff and plaintiff's attorney. *Badalamenti v. Dunham's, Inc.*, 118 F.R.D. 437 (E.D. Mich. 1987). I denied the motion to dismiss.

I will briefly reiterate the basis for my decision to impose Rule 37(d) sanctions upon plaintiff and his attorney. In April, 1985, defendants noticed Badalamenti's deposition. This notice requested the production of, *inter alia*, all communications between plaintiff and other persons, and all other documents, relating to infringement charges by plaintiff, replies to such charges, and offers to license Badalamenti's patent. See *Badalamenti v. Dunham's, Inc.*, *id.* at 438-439. Despite this discovery request, and similar deposition questions, plaintiff did not disclose the fact that he was in the midst of negotiations with Nike at that time.

From March to August of 1985, plaintiff, through his current counsel, negotiated with Nike, Inc. ("Nike"). He charged that Nike infringed his patent, and offered to license Nike. When Nike responded that its shoes, as well as other prior art, invalidated Badalamenti's patent, plaintiff's counsel terminated discussions with Nike and no longer pressed Badalamenti's patent claims. *Badalamenti, supra*, 118 F.R.D. at 438. Badalamenti did not produce this correspondence with Nike, as defendants requested. At his May 10, 1985 deposition, Badalamenti repeatedly refused to answer questions regarding his negotiations, on the advice of his counsel, Ernie L. Brooks. *Deposition of Michael J. Badalamenti* at 80-83, attached as Exhibit Q to *Defendants' Motion*

*for Dismissal with Prejudice and for Attorney's Fees Pursuant to Rule 37, Fed. R. Civ. P.*

Plaintiff did not disclose these discussions with Nike, or produce the documents bearing on them, until two years later, after defendants had independently discovered the Nike negotiations. Plaintiff and his attorney violated the Federal Rules of Civil Procedure when:

On May 21, 1985, plaintiff filed a response [to defendants' request for production of documents] in which he promised to search for and produce "all relevant, non-privileged documents." However, plaintiff did not disclose that he had discussions with Nike, nor did he produce the documents bearing on the Nike talks, until May 15, 1987. Plaintiff never moved for a protective order regarding the Nike documents.

*Badalamenti, supra*, 118 F.R.D. at 439.

I find that these failures to disclose the ongoing Nike communications constituted willful bad faith breaches of the Federal Rules of Civil Procedure by both Badalamenti and his counsel. As I stated in my previous opinion:

Here, plaintiff's and plaintiff's counsel's behavior was inexcusable: they must have realized that the Nike documents fit clearly within the category of material described in defendants' request; they failed to produce, or even disclose the existence of, the Nike documents; and they made no objection, timely assertion of privilege, or motion for a protective order. Such behavior is intolerable because it defies the Federal Rules of Civil Procedure and threatens the effectiveness of our discovery rules.

*Badalamenti, supra*, 118 F.R.D. at 440.

Therefore, I hold Badalamenti and his counsel, Brooks, jointly and severally liable for Rule 37(d) sanctions, as contemplated by the language of that rule. *Cf. Roadway Express, Inc. v. Piper*, 447 U.S. 752, 766 (1979) (In discussing the Court's inherent powers, the Court stated, "If a court may tax counsel fees against a party who has litigated in bad faith, it certainly may assess those expenses against counsel who wilfully abuse judicial process." Footnote and citation omitted.)

## II.

### DIRECTED VERDICT

Although I held on December 17, 1987 that Rule 37(d) sanctions should be imposed, I took the issue of the amount of sanctions under advisement until after the impending jury trial. On January 21, 1988, I directed a verdict for the defendants. *Badalamenti v. Dunham's, Inc.*, No. 85-71040, mem. op. (E.D. Mich. Feb. 19, 1988). This directed verdict was affirmed on appeal. The information plaintiff withheld regarding the Nike patents contributed to my decision to direct a verdict for defendants based on the obviousness of plaintiff's patent.

In directing this verdict, I found that plaintiff's device failed to meet a condition of patentability contained in 35 U.S.C. § 103, nonobviousness. This statute states in relevant part that:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter are such that the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary

skill in the art to which said subject matter  
pertains . . . .

35 U.S.C. § 103.

I held that given the prior art contained in Nike's patents, as well as in four other patents, the differences between this prior art and Badalamenti's device would have been obvious to one reasonably skilled in this art at the time of Badalamenti's invention. *Badalamenti, supra*, mem. op. of Feb. 19, 1988. Plaintiff's claimed invention was an angled traction surface composed of nubs for athletic shoes. *Id.* at 11. "The traction surfaces are located above the bottom of the sole at an acute angle to it and are located along both sides of the shoe from the forward portion of the heel to the toe area. They provide traction when the shoe is rotated horizontally." *Id.*

In granting the directed verdict, I stated that, "[t]he single most relevant prior art is the Bowerman patent. The differences between the Bowerman patent and the plaintiff's invention are minimal or nonexistent." *Id.* at 16. However, the differences between the Nike patents and Badalamenti's device were also negligible:

The Nike shoes show an angled traction device on the side of the shoes which provides traction when the shoe is rotated. . . . The cleats on the wrapped portion of the sole provide traction when the shoe is rotated as the person changes direction. Both plaintiff's expert witnesses, Ali and Montgomery, testified on cross-examination that the Astro-grabber [a Nike patent] provides traction when the shoe is rotated laterally (citation omitted).

*Id.* at 13.

While the information which plaintiff withheld

regarding the Nike patents was not the sole basis of my directed verdict, it went directly to the issue of obviousness. Plaintiff concealed information bearing directly on the validity of his patent, the basis of his suit.

III.

RULE 37(d) SANCTIONS

On January 30, 1989, after the directed verdict was affirmed, I held another hearing on the amount of Rule 37(d) sanctions to be imposed. I now take up this issue of the amount of Rule 37(d) sanctions to impose, jointly and severally, upon plaintiff Badalamenti and his attorney, Ernie L. Brooks.

In relevant part, Rule 37(d) provides:

In lieu of any order or in addition thereto, the court shall require the party failing to act or the attorney advising that party or both to pay the reasonable expenses, including attorney's fees, caused by the failure unless the court finds that the failure was substantially justified or that the other circumstances make an award of expenses unjust.

I must now decide what part of defendants' reasonable expenses were caused by plaintiff's failure to disclose the Nike correspondence. Defendants submitted the affidavit of their attorney, David Wolf, along with detailed information regarding their costs in this case. Wolf asserted that defendants would have incurred no expenses after January 1, 1987 if plaintiff had disclosed the Nike information when requested. *Affidavit of David Wolf* at 4. Wolf assumed that defendants would have moved for summary judgment on the basis of the Nike



prior art, rather than on the doctrine of equivalents; that I would have granted such a motion; and that this grant would have been affirmed at approximately the same time the actual grant was reversed. Defendants seek all expenses incurred after January 1, 1987, approximately \$348,220. *Id.* at 7. This figure includes defendants' costs through November, 1988.

In his response to Wolf's affidavit, Badalamenti conceded only that defendants were entitled to the fees they incurred in their own investigation of the Nike communication, "something less than \$175." *Badalamenti's Response to the December 18, 1988 Affidavit of David Wolf* at 5. Badalamenti argued that defendants did not move for summary judgment when they received the Nike information, so I should not credit Wolf's hypothesis about what would have happened. Plaintiff also urged me not to exercise my discretion to include defendants' costs of bringing this Rule 37 motion in this sanction. *Id.* at 6.

Subsequently plaintiff argued that I should only consider the expenses incurred by defendants after January 1, 1987, and before April 22, 1987, approximately \$44,449. *Plaintiff's Memorandum as to Amount of Award* at 3-4. Plaintiff reasoned that defendants did not seek expenses incurred before January 1, 1987 and the omission did not cause further expense after defendants independently discovered the Nike correspondence on April 22, 1987. *Id.*

Plaintiff further argued that I should not even assess the \$44,449. Badalamenti asserted that to award *any* expenses incurred after January 1, 1987, I would have to conclude that I would have granted summary judgment on the basis of the Nike prior art alone. *Id.* at 4-5. Badalamenti argued that because it is impossible to determine what would have happened differently without the discovery violation, defendants suffered no harm and I should assess no sanctions. *Id.* at 5. I disagree.



I may not, and do not now, impose sanctions beyond those costs incurred by defendants and caused by plaintiff's misconduct. However, sanctions serve purposes in addition to compensation; discovery sanctions also protect the judicial system. "The function of imposing sanctions is to assure both future compliance with the discovery rules and to punish past discovery failures, as well as to compensate a party for expenses incurred due to another party's failure to properly allow discovery." *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 229 (E.D. Mich. 1978) *appeal dismissed* 601 F.2d 587, *cert. den.* 442 U.S. 918. "Rule 37 sanctions must be applied diligently both 'to penalize those whose conduct may be deemed to warrant such a sanction, [and] to deter those who might be tempted to such conduct in the absence of a deterrent.'" *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 763-764 (1979) (citing *Nat'l Hockey v. Metropolitan Hockey Club*, 427 U.S. 639, 643 (1975)).

I will not ignore the mandate of Rule 37(d) merely because plaintiff withheld this information for two years, and thereby made it difficult to assess the precise expense caused by this omission. Plaintiff withheld information directly bearing on the validity of his claim; the effect of this willful bad faith violation permeated this case. Plaintiff should not benefit from the fact that the nature of his violation made it difficult to determine the exact expense caused by the violation. I may impose costs without specifically listing each expense awarded. *Bell v. Automobile Club of Michigan*, *supra*, at 235.

Defendants have incurred at least \$100,000 in bringing this Rule 37(d) motion alone. These expenses are clearly traceable to plaintiff's misconduct. Even before the directed verdict, defendants incurred expenses in bringing their initial motion for sanctions. I granted the directed verdict on January 21, 1988, and was affirmed

on appeal. From February, 1988 through November, 1988, defendants accrued expenses of approximately \$92,196. *Affidavit of David Wolf*, Exhibit B. Defendants have undoubtedly incurred further expense in pursuing these sanctions after November, 1988 until the present. Therefore, I find that defendants' costs in bringing this Rule 37(d) motion alone total at least \$100,000.

I find that a \$100,000 sanction reflects a just portion of the reasonable expenses caused by plaintiff's violation. As in *Bell v. Automobile Club of Michigan*, *supra*, at 235, plaintiff was in an excellent position to avoid the costs accrued for the sanctions process, after the wrongdoing was discovered. It is clear that plaintiff's misconduct needlessly caused additional discovery expense and attorney's fees. There is no reason to assume that this damage ceased when defendants discovered the violation. Given these and all of the other circumstances of this case, I find \$100,000 a just sanction.

Accordingly, defendants' motion for fees and costs pursuant to Rule 11 of the Federal Rules of Civil Procedure and 35 U.S.C. § 285 is DENIED. Defendant Hyde's motion for attorney's fees and costs pursuant to Rule 37 of the Federal Rules of Civil Procedure is GRANTED, defendant Hyde to recover from plaintiff Michael J. Badalamenti and attorney Ernie L. Brooks, jointly and severally, \$100,000.

IT IS SO ORDERED.

/s/ John Feikens

United States District Judge

Dated: May 8, 1989

(Certification Omitted)